

**MINUTES OF THE JOINT EXECUTIVE APPROPRIATIONS  
COMMITTEE MEETING  
February 17, 2010 at 5:00 P. M.  
Room 210 Senate Building, State Capitol Complex**

Members Present:           Rep. Ron Bigelow, Co-Chair  
                                  Sen. Lyle W. Hillyard, Co-Chair  
                                  Rep. Bradley G. Last, Vice Chair  
                                  Sen. Daniel R. Liljenquist, Vice Chair  
                                  Rep. David Clark, Speaker  
                                  Rep. Brad L. Dee  
                                  Rep. Kevin S. Garn  
                                  Rep. James R. Gowans  
                                  Sen. Scott K. Jenkins  
                                  Sen. Patricia W. Jones  
                                  Rep. David Litvack  
                                  Sen. Peter C. Knudson  
                                  Rep. Rebecca D. Lockhart  
                                  Sen. Karen Mayne  
                                  Rep. Carol Spackman Moss  
                                  Sen. Wayne L. Niederhauser  
                                  Sen. Luz Robles  
                                  Sen. Ross I. Romero  
                                  Rep. Jennifer M. Seelig  
                                  Sen. Michael G. Waddoups, President

Staff Present:             Jonathan Ball, Legislative Fiscal Analyst  
                                  Steven Allred, Deputy Director  
                                  Greta Rodebush, Committee Secretary  
                                  Lorna Wells, Committee Secretary

Speakers Present:        Sen. Jon J. Greiner  
                                  Rep. Eric K. Hutchings  
                                  Sen. Allen M. Christensen  
                                  Rep. John Dougall  
                                  Sen. Howard A. Stephenson  
                                  Rep. Merlynn T. Newbold  
                                  Sen. Kevin T. Van Tassell  
                                  Rep. Wayne A. Harper  
                                  Sen. Dennis E. Stowell  
                                  Rep. Kerry W. Gibson

**Note:** A copy of related materials, and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

A list of visitors and a copy of handouts are filed with the committee minutes.

**1. Call to Order/Approval of Minutes**

Committee Co-Chair Hillyard called the meeting to order at 5:20 p.m. He stated that no motions would be taken on the subcommittee reports, and that there were no minutes to approve.

**2. Appropriations Subcommittee Reports (Agenda Item 3)**

Co-Chair Hillyard informed the Committee that the subcommittee reports would be presented in the following order: Executive Offices and Criminal Justice, Health and Human Services, Public Education, Transportation, Environmental Quality, National Guard and Veterans' Affairs, and Natural Resources.

***a. Executive Offices and Criminal Justice***

Sen. Jon J. Greiner and Rep. Erik K. Hutchings, Co-Chairs, presented the report. They were assisted by LFA staff analysts, Gary Syphus, Steven Allred, and Stephen Jardine.

Sen. Greiner stated that the subcommittee oversees the budgets of the Governor's Office, Attorney General, State Auditor, State Treasurer, Corrections, Board of Pardons, Juvenile Justice Services, Courts, and Public Safety. He remarked that the subcommittee had completed its work and met the targets that were requested by the Executive Appropriations Committee.

Rep. Hutchings commented that it is challenging to coordinate and deal with so many different agencies. He called attention to the "FY 2011 5% Reductions List" on page 4-42 noting that the reductions represent real cuts to the agencies. He stated that the agencies have done an excellent job in trying to mitigate and prepare for these cuts.

Sen Greiner highlighted subcommittee actions. The subcommittee approved a GF/EF transfer of \$423,700 from Higher Education to the Department of Corrections for inmate education; approved a restricted fund appropriation of \$400,000 in FY 2010, and \$1.5 million in FY 2011, to open more driver license offices on Fridays, and to hire temporary staff to alleviate long lines; and approved a line item transfer of one-time General Funds from Corrections main line item to the Medical Services line item to cover an expected shortfall that has overrun its appropriation in recent years.

Sen. Greiner stated that the subcommittee prepared and prioritized the reductions list with input from the agencies and staff. To lessen the impact on public safety and employees, the subcommittee requested that the Executive Appropriations Committee not cut to the bottom of the list.

Sen. Greiner commented that there is a strong connection between alcohol consumption and the workload of the criminal justice system. As such, the subcommittee is recommending that the Executive Appropriations Committee replace budget reductions with \$19 million from liquor profits.

Sen. Greiner and Rep. Hutchings discussed subcommittee recommendations regarding reductions to Priority Item 28, CORR - Reallocate 415 Beds/Parole Agents, Item 26 and Item 27, DPS - Trooper Reduction, and Item 25, JJS - Close Remaining Receiving Centers and Youth Services. Other budgeting considerations included backfilling for Item 11, AG - Staff Reduction and funding a juvenile judge in the 5th District Court.

Rep. Hutchings commented further on the various functions of government that fall within the Executive Offices and Criminal Justice Subcommittee and the need to look for alternative sources of funding. In a letter prepared for Executive Appropriations Committee, the subcommittee recommended that the stream of alcohol related revenues be redirected to the criminal justice system (law enforcement).

### ***Committee Discussion***

Co-Chair Hillyard asked if the "FY 2011 Building Block List" on page 4-43 was prioritized. Sen. Greiner stated that the list was not prioritized but each item on the list was very important.

Sen. Greiner and Rep. Hutchings responded to committee questions concerning the "FY 2011 5% Reductions List" that included the closing of two housing units at the Draper Prison, early release of offenders and deletion of treatment options, staffing and service levels of state troopers, jail contracting/jail reimbursement, elimination of the Parole Violator Center, closing of the remaining Juvenile Justice Receiving Centers, reductions in non judicial personnel in Courts, and the funding oversight of Drug Offender Reform Act (DORA).

Pres. Waddoups asked which of the two lists should have funding priority. Sen. Greiner replied that restorations to the "FY 2011 5% Reductions List" should take precedence over the "FY 2011 Building Block List."

Pres. Waddoups inquired about the subcommittee's discussions on jail contracting/jail reimbursement. Rep. Hutchings responded that subcommittee discussions focused primarily on capacity issues and made a recommendation for an average daily incarceration rate change.

Co-Chair Bigelow asked clarifying questions on how the subcommittee views the overall critical needs of the agencies, and the potential diversion of alcohol profits to law enforcement.

Pres. Waddoups asked how the subcommittee determined where the 5 percent cuts would be taken. Sen. Greiner stated that the subcommittee started with the premise that each of the agencies would take a 5 percent cut.

Rep. Dee asked Sen. Greiner to clarify jail reimbursement. Sen. Greiner stated that jail reimbursement was moved from the Department of Corrections to the Division of Finance because the Department of Corrections felt like it was a third party to a state obligation. Rep. Dee indicated that jail reimbursement had not had a hearing in the Capital Facilities and Government Operations Appropriations Subcommittee.

### **3. Continuation of Business from Previous Meeting** (Agenda Item 2)

Co-Chair Bigelow called attention to a Memorandum from Sen. David Hinkins and Rep. Michael Morley, dated February 17, 2010, regarding a written response to the Executive Appropriations Committee's request that the Utah Department of Workforce Services provide more information on a reallocation of \$2 million for the Re-Employment Initiative.

**2. Appropriations Subcommittee Reports** (Agenda Item 3 continued)

***b. Health and Human Services***

Sen. Allen M. Christensen and Rep. John Dougall, Co-Chairs, presented the subcommittee's recommendations. They were assisted by Russell Frandsen, LFA, and Stephen Jardine, LFA.

Sen. Christensen thanked the members of the subcommittee for their diligence in working through the various issues of the budget. He called attention to the "FY 2011 5% Reductions List" on pages 5-71 and 5-72 stating that the subcommittee reduced the departments of Health and Human Services budgets by \$40,834,900 and added back \$11,581,100 for a total net reduction of \$29,253,800.

Sen. Christensen explained in greater detail the subcommittee reductions and add backs for the Department of Health. The subcommittee added back \$5 million for the Medicaid Management Information System, and \$322,000 for Medicaid physician provider rates and less than anticipated revenue from a new child care licensing fee begun in FY 2010.

Subcommittee reductions included a technical adjustment of one-time funding from ongoing FY 2011 Tobacco Settlement money, and reductions to Medicaid to address Legislative Auditor General recommendations for improvements in managed care, increased recoveries for fraud and/or waste, and a reimbursement error in emergency room reimbursement.

Sen. Christensen discussed other reductions to the Medicaid Program that would pay outpatient hospital and ambulatory surgical centers the same price for the same services, eliminate buy-in option for children and pregnant women, remove exclusion for mental illness drugs for the Preferred Drug List, and lower the asset test from \$5,000 to \$3,000 for pregnancy clients. The Department of Health eliminated two top-level management positions, and made changes in Medicaid Administration to achieve efficiencies.

Rep. Dougall reported on the Department of Human Services. The subcommittee proposed reductions in the following areas: \$3.9 million to DCFS Regional Case Management and administration, \$1 million to the Utah State Developmental Center, and \$500,000 to the State Hospital. Rep. Dougall pointed out that many services to recipients were spared, while most administrative functions received reductions.

The subcommittee recommended a \$12 million one-time backfill to offset a \$18 million loss in federal Medicaid funds to DCFS residential care. The subcommittee also transferred \$2.3 million from the Disability Trust Fund to use for one-time backfill, recommended a \$1.7 million one-time add back to address the FY 2011 decrease for community disabilities providers, a \$500,000 add back for the Nursing Alternatives program, and a \$189,000 add back for funds passed through to local county aging programs.

***Committee Discussion***

Sen. Robles asked about the cost savings on Item 61, DOH - Eliminate Buy In Option for Children and Pregnant Women. Rep. Dougall stated that the savings went to preserve services to individuals who are most vulnerable, and in this case, to people with disabilities.

Rep. Lockhart asked if the subcommittee is requesting a statutory change for Item 68, DOH - Remove Exclusion for Drugs for Mental Illness for the Preferred Drug List, and if the subcommittee had discussed the potential cost shifting that might occur, and if this will actually save money. Sen. Christensen responded that the exclusion would require a statutory change and it would save money.

Rep. Lockhart requested the fiscal working papers for the savings estimate for Item 68, DOH Remove Exclusion for Drugs for Mental Illness for the Preferred Drug List.

Co-Chair Bigelow inquired about Item 59, Income Tax Credit for a Disabled Dependent - Revenue Source, and Item 29, DOH - Fund Replacement of 1975-style Medicaid Management Information System. Rep. Dougall explained that the Income Tax Credit for a Disabled Dependent - Revenue Source was placed on the list in the event that a revenue source becomes available. If a revenue source does not materialize, the item will not take away from the budget. Rep. Dougall also said the subcommittee thought it was critical that the Department of Health use better tools to manage its data and therefore recommended updating its Medicaid Management Information System.

Pres. Waddoups commended the co-chairs and the Health and Human Services Appropriations Subcommittee for their excellent work in measuring the needs of the agencies and the people they serve.

Rep. Seelig asked about Item 63, DHS - DCFS - Domestic Violence Services. Rep. Dougall briefly explained that the cuts made to this program were modest.

Sen. Mayne inquired about Item 62, DHS - DCFS - Adoption Assistance. Rep. Dougall clarified that this program provides ongoing assistance and helps subsidize the costs of adoption for children in foster care.

Sen. Romero asked if the subcommittee attempted to preserve programs that had federal funds attached to them. Rep. Dougall stated that programs that had the greatest need were considered first, followed by programs with a federal match. Sen. Romero expressed appreciation for the work of the subcommittee.

Rep. Litvack asked about the add back to Item 61, DHS - Eliminate Buy-In Option for Children and Pregnant Women. Rep. Dougall stated that \$854,400 is a one-time add back to keep the program solvent until January 1, 2011. Rep. Litvack also inquired about the \$613,000 one-time add back to Item 64, DHS - Mental Health Services. Rep. Dougall explained that the add back was drawn out of the balance from the Disabilities Trust Fund.

Rep. Litvack inquired about the administrative cuts in Human Services and the number of FTEs these cuts represent. Rep. Dougall stated that it will be up to the Department of Human Services to decide how these cuts are to be implemented.

***c. Public Education***

Sen. Howard Stephenson and Rep. Merlynn T. Newbold, Co-Chairs, addressed the committee. They were assisted by Ben Leishman, LFA, and Patrick Lee, LFA.

Sen. Stephenson expressed his appreciation that there were no additional cuts to Public Education in the Appropriations Adjustments Bill for FY 2010.

Sen. Stephenson discussed the subcommittee's FY 2011 budget recommendations as outlined in the Memorandum to the Executive Appropriations Committee, dated February 16, 2010 on page 8-23.

The subcommittee recommended reducing program expenditures as identified on the "FY 2011 5% Reductions List" on page 8-20, totaling \$143.3 million. Since these reductions exceed the 5 percent reduction target by \$38 million, the subcommittee recommended the excess be reallocated to programs that are experiencing increased costs: Voted & Board Leeway State Guarantee (\$19 million), Educator Salary Adjustments (\$2.1 million), Charter School Local Replacement (\$13.6 million), Charter School Administrative Costs (\$.4 million), and ELL Software Licenses (\$2.7 million).

The subcommittee recommended one-time funding to back-fill ongoing reductions made to certain programs, maintain program funding levels, or continue one-time programs funded in FY 2010. Sen. Stephenson mentioned two items on the "FY 2011 Building Block List" on page 8-21 that would be important to back-fill: MSP - Adult Education, and MSP - Teacher Supplies and Materials.

Sen. Stephenson also noted that the subcommittee requested that any remaining funding in excess of the subcommittee's 95 percent FY 2011 budget allocation, including the one-time add-backs and any funds to replace the one-time funding in the FY 2010 budget, all be applied to the Value of the Weighted Pupil Unit to help mitigate class size increases and reductions in teacher salaries and benefits.

### ***Committee Discussion***

Rep. Litvack asked how these budget cuts will impact education above the line and below the line. Rep. Newbold stated that if any additional money is added back to support the Value of the Weighted Pupil Unit (WPU), this would impact programs above the line, and cuts to programs below the line would still be in effect. She reiterated that increased funding to the WPU gives the school districts more flexibility in determining how funds will be spent.

Sen. Stephenson explained that the items listed as MSP - Related to Basic Programs on page 8-20 are below the line programs. The item listed as MSP - Basic School Program is above the line.

Sen. Hillyard asked how the Voted & Board Leeway State Guarantee was handled. Sen. Stephenson stated that the subcommittee is recommending that it be kept whole to ensure that there is not a disproportionate impact in cuts to the poorest of the school districts.

Sen. Hillyard noted that the "FY 2011 Building Block List" on page 8-21 was not prioritized. Sen. Stephenson confirmed that the list was not prioritized but requested that the programs be funded proportionately rather than in a prioritized manner.

Sen. Jones asked Sen. Stephenson to clarify how Public Education was held harmless and yet is being considered for a 5 percent reduction. Sen. Stephenson explained that the Appropriations Adjustments Bill for FY 2010 did not include any budget reductions to Public Education. However, for FY 2011, the

subcommittee has provided a list of potential 5 percent reductions as requested by the Executive Appropriations Committee. The subcommittee has also prepared a list of items to be backfilled in the event that the 5 percent is not required.

Sen. Robles asked what the percentage decrease in funding is in FY 2011 as compared to FY 2009. Sen. Stephenson responded that, not including the 5 percent cut, state funds to the Minimum School Program are currently down 17.8 percent.

Rep. Moss asked about the USOE - Regional Service Centers Add-back on the "FY 2011 Building Block List." Rep. Newbold stated that rural school districts receive funding for Regional Service Centers to consolidate and share services and personnel that are too costly for these districts to do their own.

Rep. Moss inquired about cuts to MSP - Library Books and Electronic Resources. Ben Leishman explained that there are two separate entries on the "FY 2011 5% Reductions List": MSP - Eliminate Ongoing Supplement for Library Books & Electronic Resources (\$475,000), and MSP - Proportional Reduction to Categorical Programs Library Books and Electronic Resources (\$25,000). With these cuts, the program balance is zero. However, the subcommittee is recommending a one-time addback of \$500,000 for FY 2011.

***d. Transportation, Environmental Quality, National Guard, and Veterans' Affairs***

Sen. Kevin T. Van Tassell and Rep. Wayne Harper, Co-Chairs presented the report. They were assisted by Mark Bleazard, LFA.

Sen. Van Tassell offered some introductory remarks regarding the agencies and their ability to come up with new and innovative ideas.

Rep. Harper called attention to the "FY 2011 5% Reduction List" on page 9-42, and the "FY 2011 Building Block List" on page 9-43. The subcommittee took reductions in budget areas that would minimally impact primacy issues for the Department of Environmental Quality, National Guard, and Veterans' Affairs. The subcommittee recommended funding UNG - Tuition Assistance at \$527,000 General Fund ongoing to bring the program up to the \$1.1 million level the National Guard is seeking.

Sen. Van Tassel stated that the subcommittee is also recommending that revenues generated by S.B. 96, Uintah Basin Revitalization Fund Amendments, be used to cover a number of important items for the National Guard and Veterans' Affairs not shown on the "FY 2011 5% Reductions List."

Rep. Harper highlighted intent language for Environmental Quality, Item 1 on page 9-3, that directs the Department of Environmental Quality to do a complete review of the Division of Air Quality, and Transportation - Construction Management, Item 5 on page 9-3, that designates any net savings realized from the substantial completion of the I-15 CORE project be used by the Department of Transportation to add highway capacity on I-15 south of the Spanish Fork Main Street interchange to Payson.

The subcommittee passed a motion to support a bill to bond for \$106 million to be used for transportation projects in Salt Lake County using quarter of a quarter cents sales tax revenues in the County of the First Class Restricted Fund Account.

The subcommittee also took the position to not support the issuance of a \$100 million bond from Transportation revenues to balance the state budget.

Finally, Sen. Van Tassel mentioned that UDOT reported on some innovative ways of saving money using bridge farms and moving staff around. The Department of Environmental Quality is looking at the possibility of outsourcing and contracting as a means of meeting the needs of the stakeholders.

### ***Committee Discussion***

Speaker Clark asked if the \$106 million bond was going to be used for State highways. Rep. Harper pointed out that statute designates that funding can be used for state highways or routes of regional significance. Over the years, \$261 million has been used to construct state highways with the exception of \$35 - \$40 million. In this proposal, all but \$2.5 million of the \$106 million will be used for state highways.

Speaker Clark asked who is borrowing the money. Rep. Harper stated that Salt Lake County will issue the bonds and deliver the proceeds to UDOT to build the projects on state highways. Speaker Clark stated that it is important to make clear that Salt Lake County is issuing the bonds and not the State. Rep. Litvack agreed with Speaker Clark and indicated that the subcommittee was still working on this issue.

Rep. Lockhart inquired about S.B. 96. Sen. Van Tassel explained that S.B. 96 changes the CIP index for the Uintah Basin Revitalization Fund from a fiscal year to a calendar year, creating a surplus for the next three years.

Rep. Seelig asked for an explanation of Priority Item 5, DEQ - LHD Reduction, (\$29,000) and Item 2, DEQ - Out of State Travel, (\$206,400) on the reduction list. Rep. Harper stated that DEQ made the recommendation to reduce local health departments by \$29,000. He explained that DEQ's travel budget is \$226,000 and with the reduction, the remaining balance will be \$20,000. The subcommittee determined that it would be better to take the cut in travel rather than eliminate two engineers. Rep. Seelig commented that \$226,000 is a lot of money for a state agency to have budgeted for out-of-state travel.

Rep. Seelig asked that the subcommittee consider including water quality in its intent language directing the Department of Environmental Quality to do a complete review of the Division of Air Quality. Sen. Van Tassel stated that over time, the entire agency will be reviewed. Rep. Seelig also stated improving service to stakeholders should include citizens as well as businesses. Rep. Harper stated that they are intending to have a wide variety of public input.

Pres. Waddoups asked about the designation of fees for Radioactive Waste Disposal on lines 174, 175, 176, and 177, on pages 9-12 and 9 -13 that are shown as actual costs rather than set fees. This is a high profile issue. Sen. Van Tassel stated that a bill is being prepared that will convert those costs to a flat fee.



***e. Natural Resources***

Sen. Dennis E. Stowell and Rep. Kerry W. Gibson, Co-Chairs, presented the subcommittee's recommendations. They were assisted by Ivan Djambov, LFA.

Sen. Stowell gave a brief overview of the budget areas within Natural Resources. He indicated that 27 percent of Natural Resources' budget comes from the General Fund and the remaining funds come from federal funds, restricted funds, and dedicated credits.

Sen. Stowell commented that states not suffering in the economic downturn are states that have developed their natural resources, namely, West Virginia, Wyoming, Texas, and Alaska.

Rep. Gibson called attention to the "FY 2011 5% Reductions List" on page 7-84. He stated that the subcommittee has come up with a fairly reasonable list of prioritized reductions. He pointed out that Natural Resources ended up with nearly a 5 percent cut in FY 2010. At this point in time, agencies are not yet closing programs, but they are in jeopardy.

Rep. Gibson noted that Priority Item 26, PLPCO - Public Lands Current Expense, and Item 27, Ag - State Fair Reductions, are budget reductions that require some attention along with maintaining positions within the agencies.

Rep. Gibson expressed concern that food safety issues are not compromised and that it is important to adequately employ and pay brand inspectors. Finally, he mentioned the reductions to Item 23, DNR - Water Resources Groundwater Report, and Item 24, DNR - Water Resources Streamgages, and the importance of having good information.

Sen. Stowell discussed the subcommittee motions listed after page 7-97. The subcommittee supports the funding of the Utah Grazing Improvement Program with a dedicated portion of the severance tax dollars, the reauthorization of the loan funds for the Utah State University College of Agriculture building, and encourages the Utah Department of Agriculture and Food to proceed with emergency relief loans to the dairy and turkey industry in the Rural Rehab Loan program.

Rep. Gibson briefly discussed the need to fund Item 20, DNR - DWR Quagga Mussel Program.

***Committee Discussion***

Rep. Seelig inquired about GFR - Horse Racing on page 7-1 and Item 27, Ag - State Fair Reductions, on page 7-84. Sen. Stowell explained that the restricted fund is designated for the Horse Racing Commission and that the reduction to the State Fair represents its share in the budget cuts.

Speaker Clark asked to be provided with more information about the USDA loan protection guarantees and/or other security on new monies for the Rural Rehab Loan program. He also asked how much revenue the Department of Agriculture was going to bond for. Rep. Gibson indicated that since there was no request for appropriation, he did not have that information. Sen. Stowell stated that the Department of

Agriculture has other loan programs and is set up to evaluate loans and secure property to protect the loans. Speaker Clark stated that it is important to have some reassurance that the loans will be paid back.

Rep. Dee asked about the closing of state parks. Rep. Gibson stated that the intent language on page 7-3 for Natural Resources - Administration, directs the internal audit team of the Department of Natural Resources to provide a list of six potential park candidates for privatization, and to report to the Natural Resources Appropriations Subcommittee by August 31, 2010.

Rep. Dee asked for an update on the SITLA bonuses. Rep. Gibson stated that the issue of double bonuses has been resolved and that the bonuses have been repaid. He expressed concern that bonuses could be added into salaries at the discretion of the SITLA Board. He suggested that the Legislature consider becoming more involved in setting salaries.

#### **4. Other Business**

Co-Chair Hillyard entertained a motion from Vice Chair Last.

**MOTION:** Vice Chair Last moved to adjourn. The motion passed unanimously with Pres. Waddoups, Sen. Jones, Sen. Mayne, Sen. Robles, Rep. Bigelow, and Rep. Seelig absent for the vote.

Co-Chair Hillyard adjourned the meeting at 5:20 p.m..

Minutes reported by Greta Rodebush, Committee Secretary.

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Sen. Lyle W. Hillyard, Co-Chair

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Rep. Ron Bigelow, Co-Chair